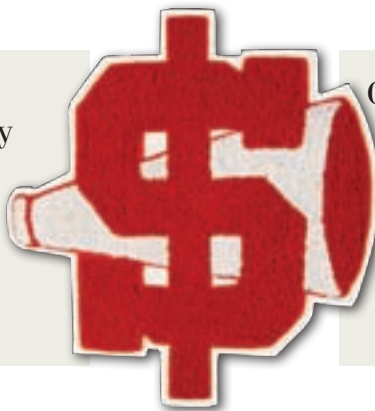




What the
Economy
Means
to Oil
and Gas

PAGE 5



Can College
Sports
Beat the
Economy?

PAGE 6



Why
Theaters
Will Win
You Back

PAGE 10

FISCAL NOTES

A Monthly Review of the Texas Economy from the Office of Susan Combs, Texas Comptroller of Public Accounts, March 2009

JANUARY REVENUE (IN MILLIONS): SALES TAX: \$1,937.3 OIL PRODUCTION: \$44.8 NATURAL GAS: \$107.3 MOTOR FUELS: \$258.4 MOTOR VEHICLE SALES: \$215.1 TOBACCO: \$101.1

Around Texas

■ **Texas is the nation's top exporter** for the seventh year in a row, according to a new U.S. Department of Commerce report. Last year, Texas exports totaled \$192 billion, a 14 percent increase in exports in 2008.

■ **H-E-B grocery** has purchased more than 160 acres in Temple to build a 400,000-square-foot distribution center that will employ about 100 workers.

■ **The University of Texas at San Antonio** has received a \$200,000 grant from the U.S. Department of Energy to study fossil fuel combustion, which should aid the design of more efficient reactors used to convert fuel to energy.

Lights,
Camera,

IMPACT!



TEXAS FILM INDUSTRY HOPES TO RAMP UP INCENTIVES.

When Drew Barrymore's directorial debut, "Whip It!" a movie about Austin's burgeoning roller derby scene, hits screens nationwide later this year, moviegoers will see very little of Austin.

That's because after two days of shooting in the capital city in 2008, the film's crew packed up and shot the rest of the picture in Michigan.

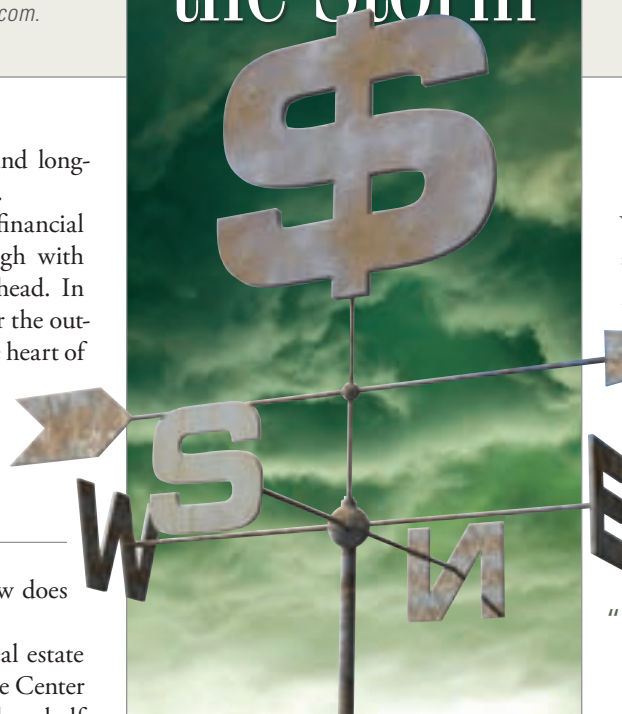
Michigan offers filmmakers a tax credit covering up to 42 percent of in-state production expenses. Texas' film incentive program offers rebates equal to 5 percent of in-state spending.

Losing that movie represents \$5 million

CONTINUED PAGE 8

This article is the second item in a series of reports on the Texas economic climate. To view previous reports, visit www.fiscalnotes.com.

Weathering the Storm



A Series of Reports on the
Texas Economic Climate

BY BRUCE WRIGHT

It remains to be seen how deep and long-lasting the nation's recession will be.

But Texas is weathering the financial meltdown rather well so far, though with some indications of choppy seas ahead. In this issue of *Fiscal Notes*, we consider the outlook for some Texas industries at the heart of the current downturn.

REAL ESTATE:

"WE'VE HELD UP VERY WELL."

Can you put a price on Texas? How does \$1.5 trillion sound?

That's the total value of Texas real estate in 2007, according to the Real Estate Center at Texas A&M University. More than half of that sum, \$847.2 billion, represents single-family homes. Fortunately, those homes are holding their value pretty well — and that's good news for the industry that depends on them.

Real estate is an important piece of the Texas economy, contributing nearly 8 percent of Texas' gross state product in 2006. About 552,000 Texans, many of them self-employed, worked in the industry in 2007, accounting for nearly 4 percent of all Texas jobs.

"In terms of home prices, we've held up very well," says Jim Gaines, an economist with the Real Estate Center. "Some states are down by double digits. Texas prices are more or less flat." And as a recent business catchphrase has it, in this economic climate, flat is the new up.

Texas didn't bust because it didn't boom, Gaines says. "Home prices were going up 20 or 30 percent a year in some of the high-growth states. That was unsustainable, and artificially induced by easy credit. If you could walk in and fog a mirror, you got a loan."

While values have held steady, sales are slowing. "Texas home sales, as reported by real estate agents, are down by about 15 percent statewide," says Gaines. "But frankly, it's amazing to me that demand isn't down by more than that.

"Easy credit, the subprime loans and so

In 2009, Gaines sees "a continuing decline in sales volume and new home construction. We're expecting home values to stay flat — anywhere in the range of plus or minus 2 percent. We're not expecting values to cave,

because we don't think the economy is going to cave.

"We're not going to get out of this unscathed, but for the foreseeable future, we are not going to feel the brunt of the downturn nearly as much as other areas of the country," says Gaines.

"Home prices were going up 20 or 30 percent a year in some of the high-growth states. That was unsustainable, and artificially induced by easy credit. If you could walk in and fog a mirror, you got a loan."

— Jim Gaines
economist, Real Estate Center at
Texas A&M University

THE TAB FOR TEXAS

According to Texas A&M's Real Estate Center, Texas real estate had a total value of more than \$1.5 trillion in 2007. Single-family residences accounted for more than half of that value.

Taxable Values of Texas Real Estate Properties, 2007

	Value of Properties (in billions)	Percentage of Properties
Single-family residences	\$847.2	56.1%
Multifamily residences	77.0	5.1%
Commercial real	251.8	16.7%
Industrial real	85.9	5.7%
Oil, gas, minerals	95.1	6.3%
Utilities	44.7	3.0%
Vacant lots	37.8	2.5%
Rural real	70.4	4.7%
TOTAL*	\$1,509.9	100.0%

*Components may not add due to rounding

Source: Texas Comptroller of Public Accounts and Real Estate Center at Texas A&M University

BANKING: "TEXAS IS IN A GOOD POSITION."

Banking, of course, lies at the heart of the financial crisis, and Texas is particularly fortunate to have a relatively healthy financial industry. Texas commercial banks employ

nearly 68,000 Texans, according to the Federal Deposit Insurance Corporation (FDIC), and other FDIC statistics illustrate Texas' current position.

About 19.2 percent of U.S. commercial banks were unprofitable at the end of the third quarter of 2008 (Sept. 30) — more than twice the 9.5 percent share registered

at the end of third-quarter 2007. In Texas, by contrast, just 14.4 percent of the state's 598 commercial banks had an unprofitable third quarter, up from 8.5 percent in third-quarter 2007.

"By and large, Texas banks are doing extremely well," says Rick Smith, president

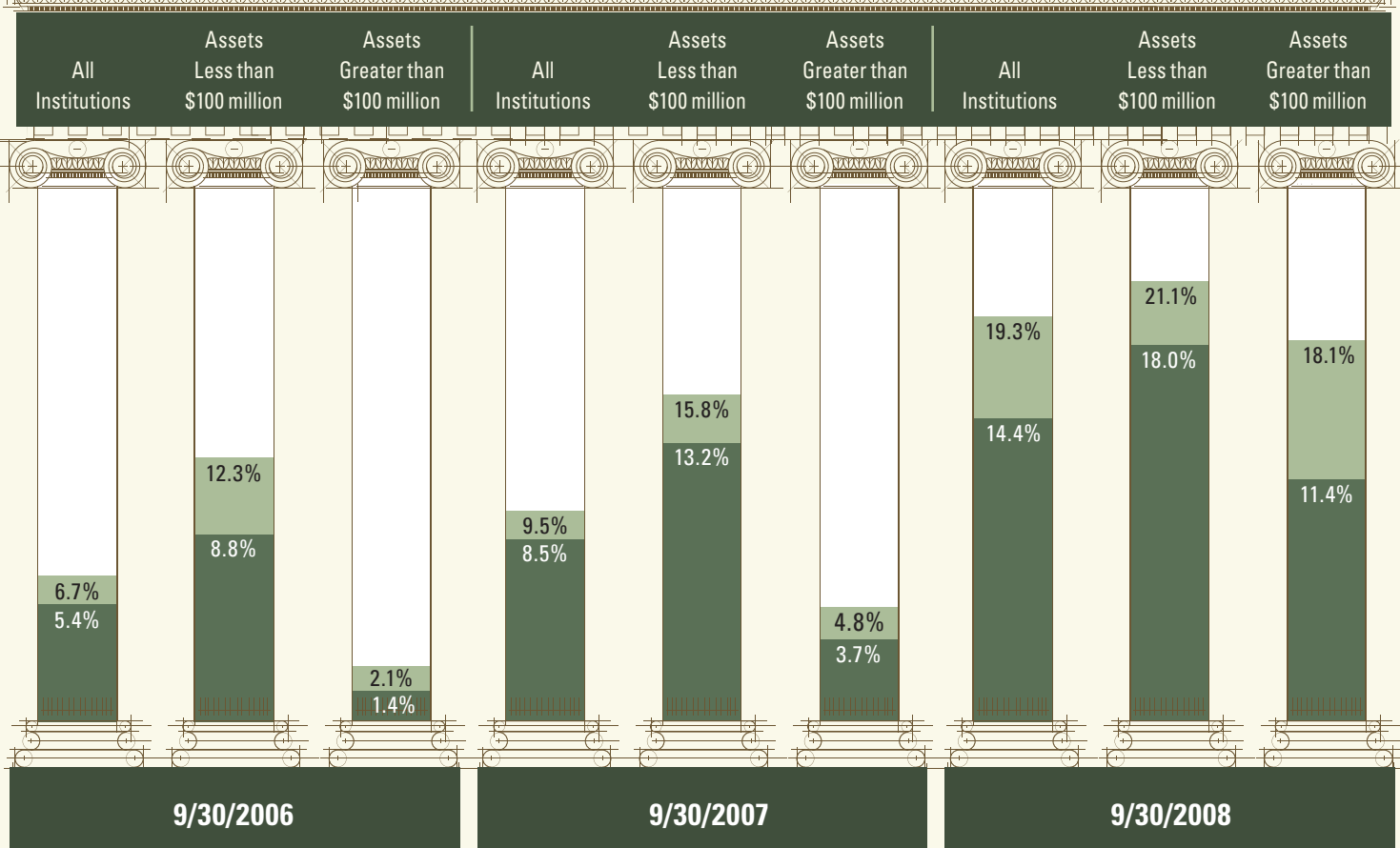
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TEXAS BANKS

With more than a quarter-trillion dollars in assets and nearly 68,000 employees, most Texas banks are coping well with the recession. Only 14 percent of Texas banks were unprofitable in the third quarter of 2008, compared with 19 percent of banks nationally.

PERCENT SHARE OF UNPROFITABLE INSTITUTIONS

■ TEXAS BANKS ■ U.S. BANKS

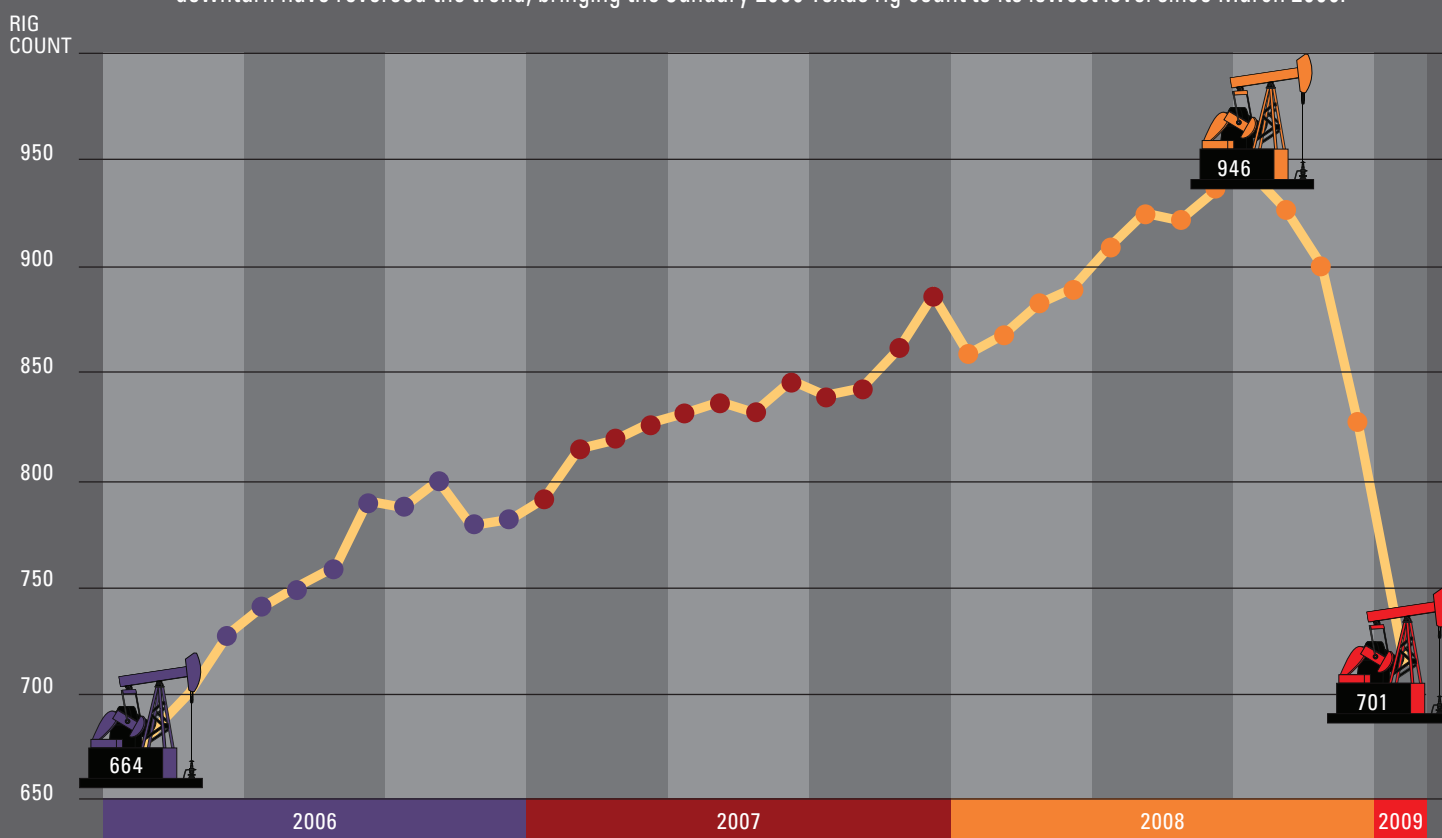


Source: Federal Deposit Insurance Corporation



SLOWDOWN IN THE OIL PATCH

High energy prices breathed new life into Texas oil and gas production over the last few years. Sharp price drops since the downturn have reversed the trend, bringing the January 2009 Texas rig count to its lowest level since March 2006.



Source: Baker Hughes

CONTINUED FROM PAGE 3

and CEO of the Texas Bankers Association. “Texas has not suffered like some other states have, such as California, Arizona, Florida and Nevada, in large part because we didn’t experience a strong jump in residential real estate prices.”

But Smith also credits Texas legislation with helping our banks continue to prosper. “We passed home equity laws in 1997 that are very conservative compared to those in some

other states,” Smith says. “That’s extremely important. Texas allows only one home equity loan at a time, and the loan-to-value ratio for all liens on a home is capped at 80 percent.

“In some states, they advertised that they’d loan 125 percent of value on a home, and it didn’t matter if this was your fourth home equity loan,” Smith says. “Texas banks have been much more prudent in their

underwriting standards and much more conservative in their overall business approach.”

At present, “the anecdotal evidence we’re hearing is that Texas banks are having extremely good years, with positive expectations for 2009,” says Smith. “Their profitability is not as strong as it was a year ago, but their capital is strong, and their reserve for loan losses is adequate.

“Texas is in a good position at this time.”

OIL AND GAS: "WE'LL SEE A CONTRACTION."

Energy production, a traditional mainstay of the Texas economy, was buoyed to new prominence in recent years by unprecedented increases in the price of oil. In 2007, nearly 308,000 Texans worked in the mining

sector, virtually all of them in oil and natural gas production.

"Since the third quarter of 2002, the industry's share of the total Texas economy has about tripled, from about 5 percent to 15 percent," says Karr Ingham, consulting economist to the Texas Alliance of Energy Producers. "We've added tens of thousands of high-paying jobs. It's been good for Texas, no question. But now this oil and gas economy has peaked."

If you've been to the pump lately, you know that the oil price run-up has reversed itself with startling speed.

"I think there are two factors at work here," Ingham says. "That run-up in prices that seemed never-ending, when prices approached \$150 in midsummer — that, to me, was not a price level that could be supported by market conditions.

I expected that bubble to burst, and sure enough it did. Demand was primarily brought down by the high prices themselves, which of course is the function of high prices in a free market. Think of that as round one of the price decline.

"Round two, though, came as a result of the worsening economic situation," Ingham says. "A situation like this typically leads to slower demand for energy products. But the pendulum is swinging kind of wildly right now."

Wild indeed, crude oil prices plunged below \$40 in a barrel in December 2008 for the first time since 2004.

Ingham thinks the recent Texas oil boom reached its peak in September 2008. "The rig count topped out at about 950 in the fall. In December,

we were in the 885 or 890 range — historically high, but a fairly rapid drop in a short period of time."

And with dramatically lower prices, energy companies will be forced to curtail their operations.

"There won't be nearly as much money to devote to capital budgets and new exploration and drilling in 2009 as in recent years," Ingham says. "I think rig counts are going to continue to come down, and ultimately, so will industry employment. That's the last domino. I think we'll probably begin to see those effects early in 2009."

Market fundamentals suggest a return to higher prices is inevitable — but not just yet.

"I think this is a temporary situation," Ingham says. "The prevailing long-term market situation will be driven by growing population worldwide, growing economies and some high-growth areas like India and China bidding up the cost of the world's finite energy sources. We'll return to that, but it will take a recovery in the U.S. and on the global level.

"This is a cyclical downturn, and in the longer term we will once again grow in terms of prices and activity. In the meantime, though, we'll see a contraction." **FN**

GASOLINE PRICES: DRIVING OFF THE CLIFF

Since December 2007, the average retail price of gasoline has fallen by 45 percent.

Average Retail Gasoline Price, December 2007-December 2008

Dec-07	\$2.88
Jan-08	\$2.92
Feb-08	\$2.92
Mar-08	\$3.15
Apr-08	\$3.37
May-08	\$3.66
Jun-08	\$3.91
JUL-08	\$3.93
AUG-08	\$3.63
SEP-08	\$3.60
OCT-08	\$2.85
Nov-08	\$1.97
DEC-08	\$1.58

Source: U.S. Energy Information Administration and Texas Comptroller of Public Accounts

SOLVING THE PAPER JAM

Digitizing the state's paper records and documents saves Texans millions of dollars and makes everything from adoption records to tax records more accessible. See how the Texas Comptroller is helping to make more data and records more easily available by visiting www.fiscalnotes.com.

The Price to Play

Texas is home to several nationally renowned athletic programs, and their hefty budgets help those programs keep pace in the ultra-competitive realm of the National Collegiate Athletics Association (NCAA).

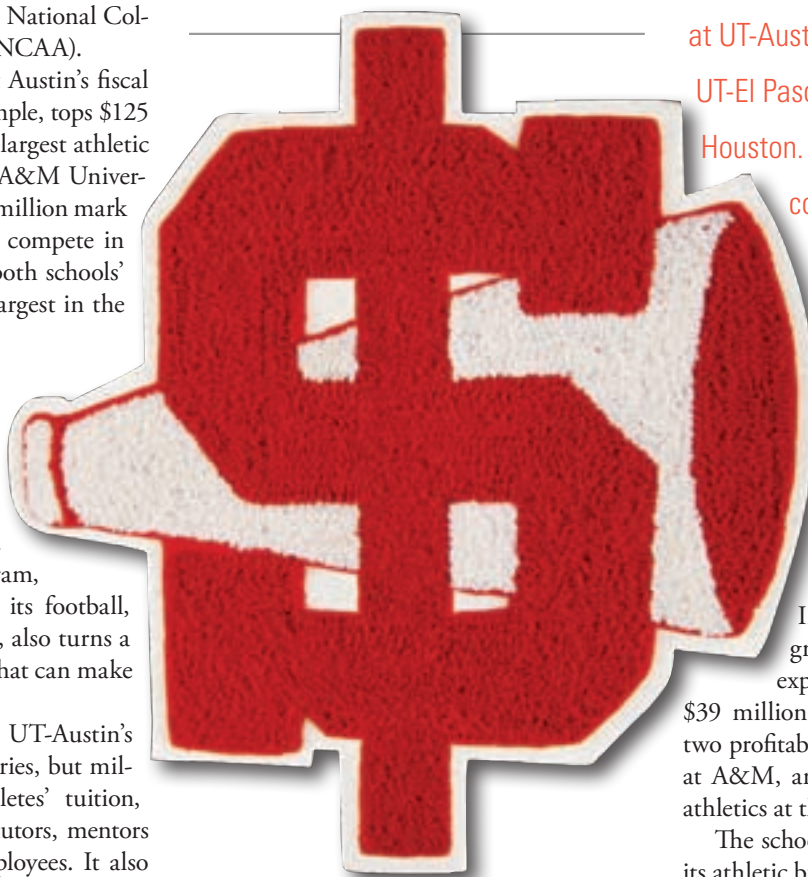
The University of Texas at Austin's fiscal 2009 athletic budget, for example, tops \$125 million, making it one of the largest athletic budgets in the nation. Texas A&M University's has pushed past the \$69 million mark for fiscal 2009. Both schools compete in the Big 12 Conference, and both schools' budgets are among the four largest in the conference.

BUILDING ON SUCCESS

Since the late 1990s, UT-Austin's athletic budget has risen by about \$100 million. But the 20-sport athletic program, riding national success from its football, basketball and baseball teams, also turns a profit, one of only a handful that can make that claim.

More than 20 percent of UT-Austin's budget is tied to coaches' salaries, but millions also are spent on athletes' tuition, housing and fees, as well as tutors, mentors and hundreds of student employees. It also includes facility management and maintenance, from a 94,000-seat football stadium to the school's outdoor tennis facility. Top-flight facilities allow the university to host NCAA regional events and state high school

THE COST OF COLLEGIATE ATHLETICS REACHES NEW HIGHS.



Average football game attendance rose across the state, including gains at UT-Austin, Texas Tech University, UT-El Paso, Rice, TCU, SMU and Houston. But tough economic times could make it harder for some fans to attend.

"One of our biggest costs right now is travel," says Joe Powell, A&M's athletics chief financial officer. "Those costs have really gone up."

Football receives the lion's share of funding at A&M. It also generates the most revenue. In A&M's case, the football program costs about \$17 million in expenditures but generates about \$39 million in revenue. Football is one of two profitable sports in the athletic program at A&M, and its revenue helps fund other athletics at the university.

The school is close to turning a profit on its athletic budget.

"We're not there yet, but we're close to being in the black," Powell says.

Scheduling adjustments are helping ease some of the travel costs. In women's soccer, for instance, the team plays several away games with schools near one another rather than taking subsequent trips to the same area later in the season. Powell says similar scheduling in women's volleyball also helps.

"We will not be raising prices. We're going to try and be a good neighbor and keep things in line, and even reduce some things where we can."

— DeLoss Dodds
athletics director, UT-Austin

championships and graduations. All bring extra money into the community.

Visitor spending from UT-Austin athletic events will top \$170 million in 2008-2009, according to the Austin Convention and Visitors Bureau. Football is expected to generate about \$142 million in spending for its seven home dates, more than \$20 million per home weekend.

Texas A&M University's fiscal 2009 athletic budget tops \$69 million for its 20 sports — nine men's and 11 women's. The school's athletic budget has risen by about \$4 million annually in each of the past three years.

Millions are spent on tuition and fees for scholarship athletes. Rising salaries, utility costs and moving teams from event to event are contributing to overall rising costs.



EYE ON THE BALL

Recent economic fluctuations did not dampen fan enthusiasm in 2008. Average football game attendance rose across the state, including gains at UT-Austin, Texas Tech University, UT-El Paso, Rice University, Texas Christian University, Southern Methodist University and the University of Houston. But tough economic times could make it harder for some fans to attend. That does not go unnoticed, even at the highest levels of a multimillion-dollar athletic department. The exact effect will just have to play itself out, says DeLoss Dodds, athletics director at UT-Austin.

“We’re like everyone else in that we know there will be an impact, we just don’t know the size of it,” he says. “I’ve had conversations with other athletic directors around the country, and they’re concerned as well.”

Texas A&M’s Powell agrees, saying the school raised football ticket prices in 2008 for the first time in five years. But with fans’ interest and pocketbooks in mind, prices are not likely to rise in 2009, he says.

“We will not be raising prices,” Dodds says. “We’re going to try and be a good neighbor and keep things in line, and even reduce some things where we can.”

BOWLS OF SHARING

College football’s post-season bowl games are a longtime holiday tradition. Lucrative payouts and television exposure await the participating schools. But not all of that money goes into a university’s coffers. In fact, most of it does not.

“Primarily, teams get their expenses covered, but then the rest goes to the conference and is divided up 12 ways,” Dodds says.

The more conference teams that play in bowl games, the better it is for the remaining schools. But that does not lessen the costs for the participating schools.

“The expenses are huge for a post-season trip,” Dodds says. **FN**

BOWL BONANZA

Texas hosts five post-season college football bowl games, and all make significant economic contributions to their communities.

	Cotton Bowl	Alamo Bowl	Sun Bowl	Armed Forces Bowl	Texas Bowl
City	Dallas	San Antonio	El Paso	Fort Worth	Houston
Payout per team	\$3 million	\$2.2 million	\$1.9 million	\$750,000	\$612,500
Economic impact	\$30 million	\$42.6 million	\$15 million	\$20 million	\$25 million
Average five-year attendance	72,749	63,110	50,061	34,550	57,153

Sources: Bowl Associations



Texas Tech fans await kickoff at the 2009 Cotton Bowl in Dallas.

A CLASSIC ON THE MOVE

Dallas’ Cotton Bowl Stadium hosted its final AT&T Cotton Bowl Classic in January. The game will move to the Dallas Cowboys’ new home in Arlington in 2010. The game’s future surroundings could help position it in college football’s championship scene.

One of five post-season college football bowl games in Texas, the Cotton Bowl contributes more than \$30 million in direct economic impact — and more than \$90 million in indirect impact — to the area economy.



Lights, Camera, IMPACT!

CONTINUED FROM PAGE 1

in lost spending and \$2.8 million in lost wages for Texans, according to the Texas Film Commission (TFC). Between 2003 and 2009, Texas lost dozens of film projects to other states totaling an estimated \$1.4 billion in lost business and jobs.

"It's very, very painful," says TFC Director Bob Hudgins.

The TFC is pushing for legislation this session that will boost incentives. The state's Moving Image Industry Incentive Program currently returns 5 percent of in-state spending for film and TV projects that spend at least \$1 million and commercials and video games that spend at least \$100,000. The TFC wants a program that could increase the 5 percent rebate for film and television production based on the appropriation from the Legislature, says Hudgins.

"People in the industry — from producers and those who do budgets on films, to studio and TV people — have all said our magic number is 15," says Hudgins.

Bob Hudgins
Texas Film Commission



A 15 percent rebate would make Texas more competitive with film incentive programs offered in New Mexico and Louisiana, which offer rebates and tax credits of 25 percent respectively, says Hudgins.

"We're trying to have a modest program that is sustainable," he says. "The real key is longevity, not flash in the pan."

A recent Comptroller report, *The Current and Potential Economic and Fiscal Impacts of Texas' Moving Media Industry*, compares the film industry incentive programs of other states with the Texas incentive program and examines their respective economic impacts.

THIRD COAST EROSION

Film industry officials say a more competitive incentive program will help the state win back film projects and crews.

Years ago, Texas was so desirable for filmmakers that it earned the nickname "the Third Coast," says Don Stokes, founder of Post Asylum, a Dallas-based film and video post-production facility.

"A real infrastructure was built up over the years, both on the theatrical side and non-theatrical side comprising TV commercials

work for television series, we've seen that pretty much go away entirely."

Texas' multiple filmmaking assets distinguish it from Louisiana and New Mexico's film programs, says Hudgins.

"We don't feel we have to compete dollar for dollar for what they are doing," he says. "Film crews are our biggest strength. The infrastructure, equipment, the businesses that support our industry and the diversity of locations we have — it's kind of the perfect storm for us."

Nearly 80 percent of the jobs associated with features shot in Texas are filled locally. That saves on housing, transportation and per diem costs, which on a normal 45- to 50-day shoot can cost up to \$30,000 for a single crew member, Hudgins says.

Texas' film crew base has eroded in recent years.

"By best guess, 25 percent of our union work force in Texas is now working in Louisiana and New Mexico," Hudgins says. "If the work is in Louisiana, they will go to Louisiana."

Los Angeles resident Christopher Johnson is a Houstonian who moved from Austin to Los Angeles in 1998 to pursue a career in film post-production work. He has primarily worked on documentaries.

"Three times now I've tried to move back to Austin," Johnson says. "I've had to change those plans because there was either more work here in Los Angeles or a lack of work in Texas. In some ways I was prepared to have a reduction in work, but I wasn't prepared to jump off a cliff."

A MOVABLE FEAST

Amid a national economic slowdown, the 2009 Texas Legislature is facing a slew of requests. The nonprofit group Texans for Public Justice issued a report in December 2008 criticizing the state film industry's push for more subsidies.

Hudgins says that unlike the oil, gas or cattle industries, the film industry can pull up stakes and leave.

"The film industry is totally portable," he

"Film crews are our biggest strength. The infrastructure, equipment, the businesses that support our industry and the diversity of locations we have — it's kind of the perfect storm for us."

— Bob Hudgins
director, Texas Film Commission

and business productions," says Stokes, who is also president of the Texas Motion Picture Alliance. "Where we once had significant work on major studio projects and did more



Elizabeth Avellán
Troublemaker Studios

says. "You put it on trucks and it can go anywhere. Michigan popped up in April with a new program giving up to 42 percent. Within two months, they had 80 some-odd productions going there."

Elizabeth Avellán is co-owner and vice president of Austin-based Troublemaker Studios, the production company she and director Robert Rodriguez founded in 2000. Troublemaker produced the "Spy Kids" trilogy, "Once Upon a Time in Mexico" and "Sin City."

"It's not a handout," she says of incentives. "If the investors are getting \$3 million or \$4 million from somewhere else, I can't make it \$3 million or \$4 million cheaper for them in Texas."

Avellán says she can no longer hire Texas visual effects companies to work on her films.

"We're having to go somewhere else to get a bigger rebate. I can get so much more in Canada, even England," she says.

"Troublemaker has projects, but they will not allow me to film them in Texas. We have two studios in Austin, Austin Studios and Troublemaker Studios, that are mostly dark right now." (To read the full Q&A with Avellán and find out about upcoming projects at Troublemaker Studios, visit www.fiscalnotes.com.)

The combined economic impact of film, TV, animation and video game production in the state totaled more than \$2.2 billion over the past decade. (See chart "Reel Impact.") Those sectors accounted for more than 119,900 jobs over the same period. (See chart "Supporting Cast.")

MONEY IS IN TV

Episodic TV productions such as "Friday Night Lights" and "Prison Break" are huge moneymakers for Texas, says Carol Pirie, deputy director for the TFC.

CONTINUED ON PAGE 10

REEL IMPACT

TEXAS MEDIA INDUSTRIES' ECONOMIC IMPACT

Estimated Production Spending (in millions)	2006	2007	2008	10-year totals (1999-2008)
Studio Feature Film	\$58.9	\$0.8	\$28.7	\$514.4
Independent Feature Film	14.7	11.9	15.7	97.3
Episodic and Other Television	69.5	72.5	34.2	325.2
Commercial, Corporate and Sports	86.5	92.0	123.6	804.5
Animation*	20.0	16.8	21.0	57.8**
Video Game*	80.7	149.0	179.4	409.1**
Total Estimated Spending	330.3	343.0	402.6	2,210.0

* The Texas Film Commission began tracking animation and video game production in 2006. Figures are rounded.

** Three-year totals

Source: Texas Film Commission

SUPPORTING CAST

ESTIMATED JOB TOTALS

	2006	2007	2008	10-Year Totals
Total Temporary Crew*	6,751	7,646	37,186	81,800
Total Full-time Jobs	10,854	13,200	14,077	38,131**

* This includes temporary jobs for studio and independent feature films, television, commercials, corporate and sports programs.

** This three-year total includes full-time equivalent and permanent full-time jobs tracked beginning in 2006.

Source: Texas Film Commission

Cinema Paradiso

CONTINUED FROM PAGE 9

A 22-episode regular season of “Prison Break,” which filmed in Texas for two seasons, brought in \$35 million to \$37 million a year.

“It takes a really huge feature film to spend that much money in Texas,” she says. “With episodic TV, you’ve got maybe 125 people who have fabulous jobs for nine months, not two or three months as you would from a film.”

The writers’ strike, which ended in February 2008, hurt the state’s film industry. “Prison Break,” which filmed in the Dallas-Fort Worth area, opted not to return to Texas in 2008. “Friday Night Lights” finished filming its season in November.

VIDEO GAMES FLOURISH

Films historically do well during bad economic times as moviegoers seek an escape outlet, Hudgins says.

Video games, a fast-growing component of the state’s Moving Image Industry Incentive Program, could fare better than films during the economic downturn, Hudgins predicts.

“With movies, taking a family of four and buying popcorn, you’re spending up to \$50 for two and a half hours,” he says. “With video games you spend \$50. The basic run time on games is about a six-week period. It’s a pretty good long-term investment in your entertainment.”

U.S. sales of video game hardware and software rose 10 percent in November 2008 from a year earlier, according to market research firm NPD. **FN**

To read more about the impact of the state’s film industry, read the Comptroller report, *The Current and Potential Economic and Fiscal Impacts of Texas’ Moving Media Industry*, at www.window.state.tx.us/specialrpt/mmedial or call (800) 531-5441 to request a free copy.



Photo courtesy of Alamo Drafthouse Cinemas

HOW THE BEST LITTLE CINEMA HOUSE IN TEXAS IS REINVENTING THE MOVIE EXPERIENCE.

Alfred Hitchcock once famously declared “a film can be called good when it’s considered worth the price of dinner, theater admission and the babysitter.”

But the value of a night out at the movies, once considered a deep-rooted American tradition, has changed since Hitchcock’s day thanks largely to the Internet, video games and a host of other distractions.

The value of cinema is increasingly murky due to economic concerns faced by many Texas families. The average U.S. ticket price in 2007 was \$6.88, compared to \$5.39 in

2000, which has raised consumers’ expectations of their overall movie-going experience.

Now, theater owners are working hard to win customers by using new concepts that bring value to the great American movie experience.

A NEW HOPE

The future of cinema may lie in Texas. For proof, look no further than Alamo Drafthouse Cinema, where moviegoers are served green chili mac and cheese, fresh-baked chocolate chip cookies and burger and pizza options that pay homage to film (“Royale with Cheese” burger, “My Big Fat Greek” vegetarian pizza).

The concept is light years away from the traditional experience of sticky floors and cramped seats, which has forced many potential customers to take refuge in home entertainment rather than a night out at the movies.

Founded in 1997, Alamo Drafthouse has nine locations throughout Texas and one in Virginia. Three cinemas remain under control of the original founders.

IT’S SHOWTIME

Business at the chain is strong. Same-store sales for Alamo theaters that have been in operation for more than two years increased 14 percent in 2007. Average gross sales were more than \$5 million for 2007.

Alamo theaters reached financial success during a time when many theater owners are taking a big economic hit (the number of U.S. cinema sites dropped from 6,550 in 2000 to 5,545 in 2007), and the entertainment industry is showering Alamo Drafthouse with accolades, as well. *Entertainment Weekly* has called it the No. 1 theater in America, and *Washington Post* film critic Ann Hornaday called it one of the finest places in the country to watch a movie.

“The economic situation for us right now is hard to gauge,” says Zack Carlson, a lead programmer for the chain. “Historically, during times of economic uncertainty,

“The average U.S. ticket price in 2007 was \$6.88, compared to \$5.39 in 2000, which has raised consumers’ expectations of their overall movie-going experience.”

entertainment doesn't suffer. We're hoping that holds true for us into the future."

Movie theaters may not be especially susceptible to economic downturns. In fact, data suggests they thrive. During the last seven recession years, box office sales and admissions increased over five of them, according to data provided by the National Association of Theatre Owners. A total of \$9.6 billion on 1.4 billion admissions made 2007 the second record year in a row for box office and admissions growth, which may signal that no matter the bad times, Americans will always turn to movies for a hopeful distraction.

Other large chains also are further developing their concepts. Plano-based Cinemark USA Inc., one of the nation's largest movie chains, is expanding the overall movie experience for its patrons to meet higher audience expectations at its more than 400 theaters in 38 states. Cinemark is launching new theaters with stadium-seated auditoriums, wall-to-wall screens and improved legroom between seats.

"We're introducing new concepts to personalize the movie going experience," says James Meredith, vice president of marketing and communications for Cinemark. "In many of our locations, customers have the ability to bypass box office lines and purchase tickets online before they arrive at the theater, and enjoy cafeteria-style concession stands that offer self-serve opportunities with great selections."

Cinemark also offers special discount pricing initiatives aimed at different segments of the population, such as seniors' day and early bird specials.

ECONOMIC DOWNTURN

For now, Carlson remains optimistic that Alamo Drafthouse's fresh concept will bring it through bumps in the economy.

"We're going to keep providing the best movie experience money can buy," he says. "I feel if we keep doing what we do, we'll be good."

Meredith agrees.

"In the past, the movie theater industry

has performed well during economic downturns," he says. "Movie theaters still provide the most affordable out-of-home entertainment option. During difficult times, customers like to lose themselves in a great film and escape for a few hours." **FN**

For more data on the theater industry, visit www.natoonline.org. Check out the Alamo Drafthouse Web site by visiting www.originalalamo.com. To find a Cinemark location in your area, visit www.cinemark.com.



Brief Bytes

GOLF DRIVES TEXAS TO THE GREEN

Golf thrives in Texas, even as other states struggle to keep courses open.

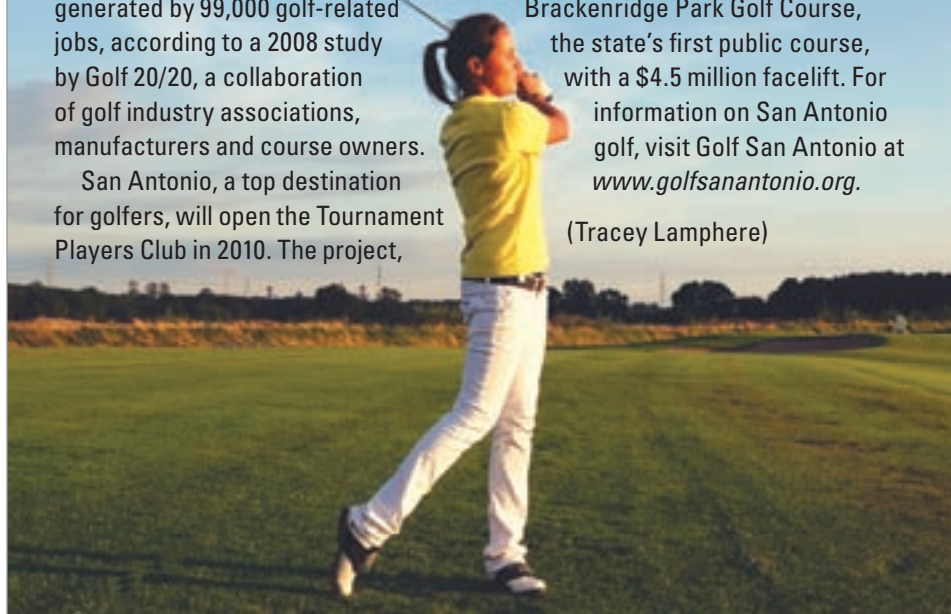
With its more than 900 golf courses, the golf industry contributed \$7.4 billion to the state economy in 2006, including \$2.4 billion in wages generated by 99,000 golf-related jobs, according to a 2008 study by Golf 20/20, a collaboration of golf industry associations, manufacturers and course owners.

San Antonio, a top destination for golfers, will open the Tournament Players Club in 2010. The project,

which includes two Professional Golfers Association Tour-ready courses designed by Greg Norman and Pete Dye, will serve as the new venue for the Valero Texas Open.

The city recently restored its historic Brackenridge Park Golf Course, the state's first public course, with a \$4.5 million facelift. For information on San Antonio golf, visit Golf San Antonio at www.golfsanantonio.org.

(Tracey Lamphere)



TEXAS ROAD NEEDS A WEE BIT PRICEY

A recent report by the 2030 Committee, a blue-ribbon panel appointed by Texas Transportation Commission Chairwoman

Deirdre Delisi, indicates that the state should spend up to \$313 billion

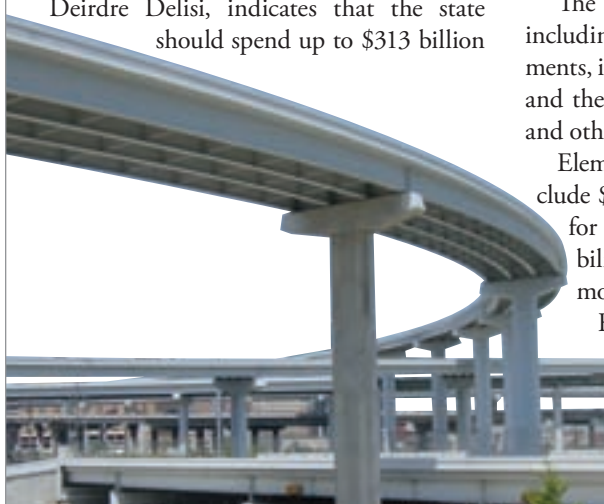
over the next two decades on projects to ensure continued mobility and safety on the state's roads.

The independent report analyzed factors including population growth, freight movements, international trade flows, traffic delays and the condition of existing roads, bridges and other infrastructure.

Elements of projected spending needs include \$89 billion for pavement, \$36 billion for bridges, \$171 billion for urban mobility projects and \$17 billion for rural mobility and safety.

For more information, visit the 2030 Committee's Web site at texas2030committee.tamu.edu.

(Bruce Wright)



SUPER ANTICIPATION

The National Football League's (NFL) Super Bowl XLV will be played in 2011 in the Dallas Cowboys' new Arlington home. Preparations for the event, still more than two years away, have already begun.

"When you host something of this size and importance, it's really important to do it right that first time," says Bill Lively, president and CEO of the North Texas Super Bowl Host Committee (NTSBHC).

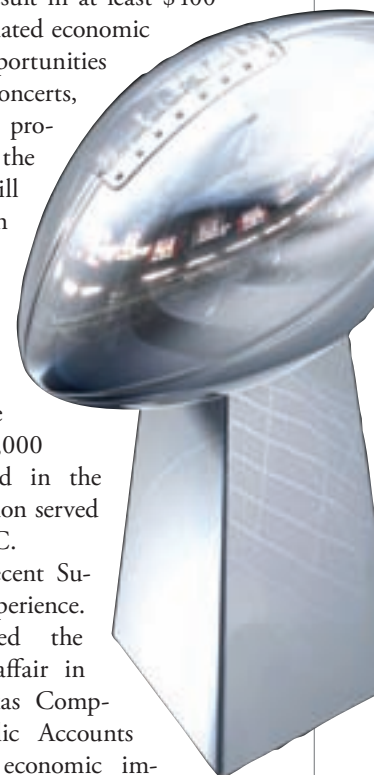
The game, along with the events leading up to it, will result in at least \$400 million in estimated economic impact, and opportunities will abound. Concerts, performances, productions and the game itself will create more than 2,000 jobs and require as many as 18,000 volunteers. About 24,000 hotel rooms await the more than 150,000 visitors expected in the four-county region served by the NTSBHC.

Texas has recent Super Bowl experience. Houston hosted the championship affair in 2004. The Texas Comptroller of Public Accounts estimated the economic impact of that game was about \$330 million. In the end, making a splash and attracting repeat business is the goal.

"One mission in this is to do it so well that all the parties who make the judgment on this have such a great experience that the NFL comes back," Lively says.

For more information about Super Bowl XLV, visit www.northtexassuperbowl.com.

(Clint Shields)





Parkland Hospital in Dallas is scheduled to be replaced in 2014.

VOTERS APPROVE BILLIONS IN BONDS

Despite the nation's financial climate, Texas voters approved more than \$3.8 billion in bonds in last November's local bond elections, according to results compiled by state and local government consulting firm Strategic Partnerships Inc. (SPI).

Texans approved funding for capital improvement projects including infrastructure construction projects, park improvements and other purchases. Voters approved at least one proposition in 48 of the 63 November 2008 bond proposals or 85 percent of total dollars, according to SPI.

The largest project on the November

ballots was a \$747 million bond election in Dallas County to replace Parkland Memorial Hospital with a new hospital. Bond funding will pay for approximately 60 percent of the \$1.3 billion facility. Hospital revenues and private donations will cover the remaining costs. The hospital is tentatively scheduled for completion in 2014.

For a complete listing of bond proposals that passed in the November elections or more information, visit www.spartnerships.com or contact Reagan Weil at (512) 531-3917 or rweil@spartnerships.com.

(Karen Hudgins)

UT-AUSTIN CONTEST SPARKS INNOVATION

The Social Innovation Competition, a worldwide student contest sponsored by the University of Texas RGK Center for Philanthropy and Community Service and Dell Inc., attempts to turn classroom lessons into global innovation.

Online votes and a judges' panel will determine who wins a \$50,000 prize. Three finalists will present their innovations on May 7 in Austin.

"This contest is meant to engage the most students and to get them to use the skills they've learned in college to create a social change," says Heather Alden, program coordinator for the RGK Center.

In 2008, University of Virginia students won with Husk Power Systems, a company that uses rice husks to generate power for underdeveloped villages in India. To view projects and cast your vote, visit www.dellsocialinnovationcompetition.com.

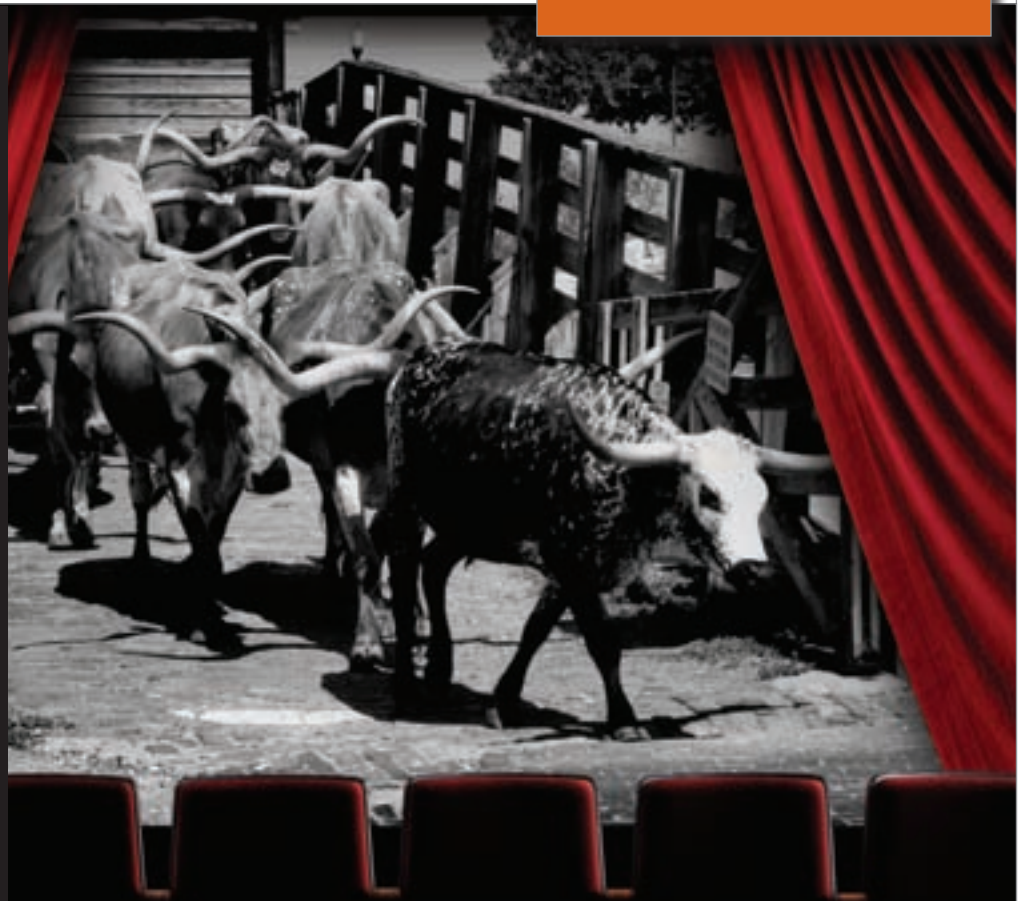
(Tracey Lamphere)

PRESERVING TEXAS HISTORY THROUGH FILM

The Texas Film Commission recently launched the Texas Moving Image Archive Program in partnership with the Texas Archive of the Moving Image (TAMI) in an effort to preserve rarely seen windows into Texas history and culture. The initiative supports the discovery, preservation and digitization of rare moving images, including home movies, educational films, training videos and locally produced film and television.

For more information on the Texas Moving Image Archive Program, or to view an online video library featuring archived films, visit the Texas Film Commission's Web site at www.governor.state.tx.us/film/resources/moving_image_archive/.

(Michael Castellon)

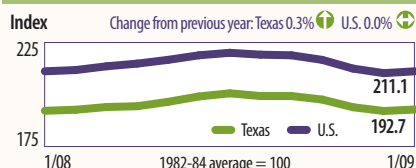


Texas by the Numbers

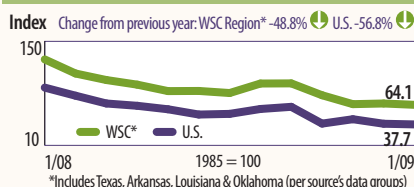
Key Texas Economic Indicators

Between January 2008 and January 2009, the U.S. economy shed about 3.6 million jobs, while Texas made significant gains. Texas' nonfarm employment registered a stable 1.5 percent growth rate over the year, even as the nation's job losses reached their worst level since 2002. But the number of Texas jobs in December (10.6 million) was less than in November (by 25,700). Over the last year, Texas added jobs in all major industries except information and manufacturing. Construction also registered job gains for the year, with nonresidential and highway construction making up for a decline in housing permits, although the industry lost 3,300 jobs between November and December.

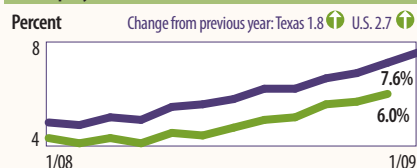
Consumer Price Index



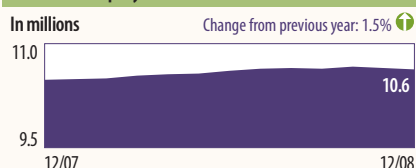
Consumer Confidence Index



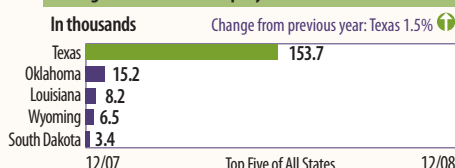
Unemployment Rate



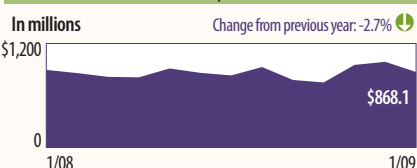
Nonfarm Employment



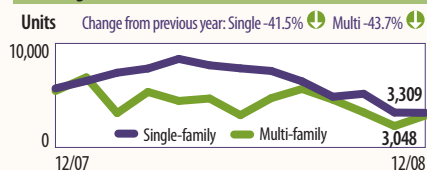
Change in Nonfarm Employment



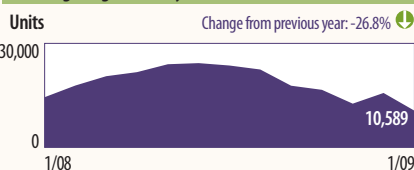
State Sales Tax Collections, Retail Establishments



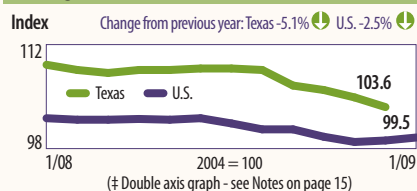
Housing Permits



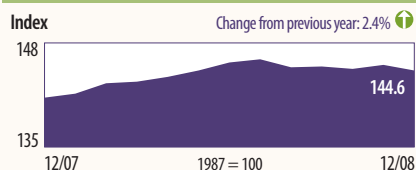
Existing Single-Family Home Sales



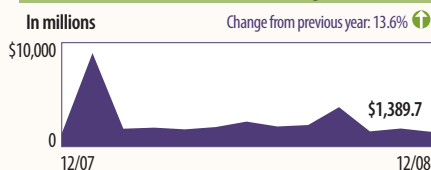
Leading Economic Indicators Index



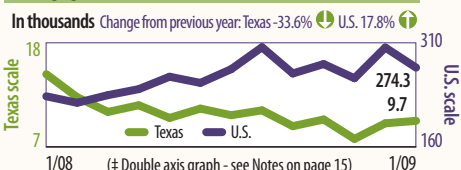
Industrial Production Index



Contract Value, Non-Residential Building Construction



Mortgage Foreclosures



Texas Production and Consumption Indicators

	Crude Oil Production	Natural Gas Production	Active Oil & Gas Drilling Rigs	Motor Fuels Taxed		Median Sale Price, Existing Single-family Home	Auto Sales	Cigarettes Taxed
Date	Value (Millions)	Value (Millions)	Units	Gasoline (Millions of Gallons)	Diesel (Millions of Gallons)	Dollars	Net Value (Millions)	Packages of 20 (Millions)
2006	\$19,657.5	\$19,852.1	746	11,372.8	3,731.6	\$143,100	\$45,756.2	1,280.2
2007	21,850.3	22,968.4	834	11,624.8	3,886.9	147,500	48,500.6	1,085.8
Nov-07	2,414.5	2,168.8	860	1,025.7	371.5	144,700	3,678.9	92.8
Dec-07	2,316.2	2,320.4	884	965.8	342.4	147,300	3,828.5	88.2
Jan-08	2,463.9	2,346.9	859	985.8	313.7	138,700	4,034.0	76.7
Feb-08	2,398.0	2,394.9	866	954.2	343.2	142,500	3,840.8	80.2
Mar-08	2,771.3	2,935.2	881	940.6	324.1	146,800	3,940.0	79.1
Apr-08	2,847.5	3,051.7	887	1,010.4	281.1	146,700	3,957.8	90.5
May-08	3,654.4	3,755.5	906	975.8	343.1	150,500	3,791.7	98.3
Jun-08	3,417.6	3,968.7	923	1,018.3	331.5	154,700	4,051.0	89.6
Jul-08	3,594.7	4,432.9	920	954.0	321.3	152,900	4,148.3	93.3
Aug-08	3,115.8	3,282.0	934	982.3	342.5	151,500	3,829.4	80.9
Sept-08	2,760.6	2,442.2	946	1,054.7	248.6	144,900	3,727.2	88.9
Oct-08	2,080.9	2,299.5	925	852.3	377.9	142,200	3,317.6	98.6
Nov-08	1,475.6	1,777.5	899	1,018.0	343.5	137,100	2,862.9	85.3
Dec-08	982.9		826	963.2	283.5	140,300	2,941.7	99.3
Jan-09			701	1,023.2	294.7	131,200		73.0

January Cash Condition¹

(Amounts in millions)	General Revenue	Other Funds	Total Cash
Beginning Balance January 1, 2009	\$5,757.6	\$22,452.7	\$28,210.3
Revenue/Expenditures			
Revenue	5,579.0	1,504.3	7,083.3
Expenditures	4,863.5	1,746.9	6,610.4
Net Income (outgo)	\$715.5	\$-242.6	\$472.9
Net Interfund Transfers and Investment Transactions	\$-196.5	\$98.1	\$-98.4
Total Transactions	519.0	-144.5	374.5
End Cash Balance January 31, 2009²	\$6,276.6	\$22,308.2	\$28,584.8

¹ Cash stated is from the Comptroller's Uniform Statewide Accounting System (USAS) and will vary from the amounts reflected in the cash accounts of the Treasury Operations Division of the Comptroller's office due to timing differences. Net amounts shown (less refunds) exclude funds that are authorized to be held outside the State Treasury and are not processed through USAS. Suspense and Trust Funds are included, as are unemployment compensation trust funds collected by the state but held in the Federal Treasury. Totals may not add due to rounding.

² The ending General Revenue Fund balance includes \$6.5 billion derived from the sale of cash management notes.

State Revenue/All Funds¹

(Amounts in millions)	Monthly Revenue	Fiscal Year-to-Date	
	Jan. 2009	Revenue	% Change YTD/YTD
Tax Collections by Major Tax			
Sales Tax	\$1,937.3	\$9,236.3	3.9%
Oil Production Tax	44.8	481.5	-1.7
Natural Gas Production Tax	107.3	1,036.4	13.6
Motor Fuel Taxes	258.4	1,266.6	-3.5
Motor Vehicle Sales Tax	215.1	1,137.5	-18.7
Franchise Tax	-101.7	-163.0	-2,423.6
Cigarette & Tobacco Taxes	101.1	649.7	14.8
Alcoholic Beverages Tax	73.8	332.4	3.1
Insurance Companies Tax	13.5	69.9	-5.4
Utility Taxes ²	29.0	174.3	-22.8
Inheritance Tax	1.6	2.4	-41.4
Hotel/Motel Tax	23.5	148.1	3.7
Other Taxes ³	27.5	171.1	-47.4
Total Tax Collections	\$2,731.2	\$14,543.2	-0.9%
Revenue by Receipt Type			
Tax Collections	\$2,731.2	\$14,543.2	-0.9%
Federal Income	2,188.5	11,429.0	10.2
Interest and Investment Income	113.3	784.3	-39.9
Licenses, fees, permits, fines,	718.1	2,956.3	-53.5
Contributions to Employee Benefits	482.2	1,947.4	6.7
Sales of Goods and Services	33.9	166.8	-14.1
Land Income	49.2	474.6	26.2
Net Lottery Proceeds ⁴	119.1	634.9	-6.5
Other Revenue Sources	647.9	3,315.9	14.7
Total Net Revenue	\$7,083.3	\$36,252.5	-6.3%

¹ Excludes revenues for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Includes the utility, gas utility administration and public utility gross receipts taxes.

³ Includes the cement and sulphur taxes and other occupation and gross receipt taxes not separately identified.

⁴ Gross sales less retailer commissions and the smaller prizes paid by retailers.

Notes:

Crude oil and natural gas figures are net taxable values. Gasoline gallons include gasoline. Auto sale values are calculated from motor vehicle taxes collected on new and used vehicle sales. All figures are seasonally adjusted, except for sales tax collections, rigs, consumer price, housing permits/sales/prices, and consumer confidence. Figures are based on the most recent available data. Annual figures are for calendar years. If Double axis graphs. Graphs with two vertical axes show values for Texas on the left and values for the U.S. on the right. This method shows trends more clearly over the last year when data values are substantially different at state and national levels.]

Sources:

Key Texas Economic Indicators:

Consumer Price Index, Change in Nonfarm Employment: U.S. Bureau of Labor Statistics
Consumer Confidence Index: The Conference Board
Leading Economic Indicators Index: Texas Comptroller of Public Accounts, The Conference Board
Unemployment Rate: Texas Workforce Commission, U.S. Bureau of Labor Statistics
Nonfarm Employment: Texas Workforce Commission
State Sales Tax Collections, Retail Establishments: Texas Comptroller of Public Accounts
Housing Permits, Existing Single-family Home Sales: The Real Estate Center at Texas A&M University

Industrial Production Index: Federal Reserve Bank of Dallas
Contract Value, Non-Residential Building Construction: McGraw-Hill
Mortgage Foreclosures: RealtyTrac

Texas Production and Consumption Indicators:

Crude Oil, Natural Gas, Motor Fuels, Auto Sales, Cigarettes: Texas Comptroller of Public Accounts
Active Oil & Gas Drilling Rigs: Baker-Hughes Incorporated
Median Sale Price, Existing Single-family Home: The Real Estate Center at Texas A&M University

State Expenditures/All Funds¹

(Amounts in millions)	Monthly Expenditures	Fiscal Year-to-Date	
	Jan. 2008	Expenditures	% Change YTD/YTD
By Object			
Salaries and Wages	\$889.5	\$4,448.7	7.9%
Employee Benefits/Teacher Retirement Contribution	732.3	3,662.1	5.7
Supplies and Materials	68.4	413.2	4.3
Other Expenditures	242.2	1,302.1	13.5
Public Assistance Payments	2,844.3	14,848.0	12.1
Intergovernmental Payments:			
Foundation School Program Grants	598.7	12,126.2	-1.2
Other Public Education Grants	896.5	1,912.5	-0.7
Grants to Higher Education	13.8	532.8	13.7
Other Grants	257.9	1,233.0	35.4
Travel	13.1	70.6	18.6
Professional Services and Fees	67.7	818.5	-7.7
Payment of Interest/Debt Service	61.0	361.1	9.9
Highway Construction and Maintenance	279.4	1,785.2	-22.6
Capital Outlay	34.1	200.5	3.2
Repairs and Maintenance	42.6	295.7	5.6
Communications and Utilities	39.9	171.5	-9.7
Rentals and Leases	22.0	127.6	12.8
Claims and Judgments	7.1	38.3	-34.4
Cost of Goods Sold	94.9	435.6	22.3
Printing and Reproduction	3.8	22.3	9.4
Total Net Expenditures	\$6,610.4	\$44,805.5	4.8%
By Function			
General Government			
Executive	\$491.7	\$2,474.4	10.0%
Legislative	11.8	56.3	4.6
Judicial	18.8	99.3	-1.9
Subtotal	522.2	2,630.0	9.4
Health and Human Services	2,734.0	14,465.7	14.2
Public Safety and Corrections	373.0	2,047.6	16.5
Transportation	424.2	2,720.2	-19.7
Natural Resources/Recreational Services	222.2	1,011.8	19.9
Education	1,546.5	17,864.7	0.0
Regulatory Agencies	21.5	167.4	26.0
Employee Benefits	636.7	3,135.0	4.2
Debt Service—Interest	61.0	361.1	9.9
Capital Outlay	34.1	200.5	3.2
Lottery Winnings Paid ²	35.1	201.5	24.6
Total Net Expenditures	\$6,610.5	\$44,805.5	4.8%

¹ Excludes expenditures for funds that are authorized to be held outside the State Treasury and are not processed through USAS. Totals may not add due to rounding.

² Does not include payments made by retailers. Previously shown as "Other expenditures."

Some revenue and expenditure items have been reclassified, changing year-to-date totals. The ending cash balance is not affected because changes reflected in "total net revenues" and "total net expenditures" offset changes in "net interfund transfers and investments transactions" in the cash condition table.

Revenues and expenditures are reported for the most recent month available and as a running total for the current fiscal year-to-date. In addition, year-to-date figures are compared with the same period in the last fiscal year. These comparisons are reported as percentage changes, which may be positive or negative (shown by a minus sign).

Trust fund transactions are included within revenues and expenditures in the "all funds" presentations. Trust funds are not available to the state for general spending.



FISCAL NOTES is one of the ways the Comptroller's office strives to assist taxpayers and the people of Texas. The newsletter is a by-product of the Comptroller's constitutional responsibilities to monitor the state's economy and to estimate state government revenues.

FISCAL NOTES also provides a monthly summary of the financial statements for the State of Texas.

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Texas Remains Attractive to Foreign Investors

Texas remains in-demand to foreign investors looking for opportunities in the U.S., according to a recent report that surveyed the top U.S. cities for global investment in 2009.

1. Washington, D.C.
2. New York
3. San Francisco
4. Los Angeles
5. Houston
6. Seattle
7. Boston
8. Chicago
9. Miami
10. Denver
11. Austin — (tied with Las Vegas, Phoenix, Orlando, Atlanta, San Diego, San Jose, Calif.)

Source: Association of Foreign Investors